

Message Text

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SUBJ: VENEZUELA'S FIFTH NATIONAL PLAN

1. SUMMARY - THOUGH NOT YET UNVEILED TO THE PUBLIC. VENEZUELA'S DRAFT FIFTH NATIONAL PLAN IS CAUSING A PUBLIC FUROR. THE MOST CONTROVERSIAL FEATURE OF THE DRAFT PLAN IS A PROPOSAL TO RESORT TO ABOUT 60 BILLION BOLIVARS (\$14 BILLION) IN PUBLIC CREDIT OVER A FIVE-YEAR PERIOD. THIS FEATURE OF THE PLAN IS LIKELY TO BE MODERATED BEFORE THE PLAN IS OFFICIALLY APPROVED. THE CONTROVERSY HAS UNDERMINED THE POSITION OF PLANNING MINISTER GUMERSINDO RODRIGUEZ. END SUMMARY.

2. VENEZUELA'S FIFTH NATIONAL PLAN (PLAN V) HAS BEEN IN PREPARATION BY THE CENTRAL OFFICE OF COORDINATION AND PLANNING (CORDIPLAN) SINCE PRESIDENT CARLOS ANDRES PEREZ ASSUMED OFFICE NEARLY TWO YEARS AGO. THE PLAN ORIGINALLY WAS TO COVER THE FIVE-YEAR PERIOD 1975-79. WORK WAS DELAYED, HOWEVER, AND IT NOW APPEARS THAT THE PLAN WILL COVER THE YEARS 1976-80. THE LONG GESTATION PERIOD HAS CONTRIBUTED TO INCREASING CONTROVERSY OVER THE CONTENTS OF THE PLAN AND ITS RELATIONSHIP TO CURRENT ECONOMIC AND POLITICAL REALITY.

3. THE ORIGINAL DRAFT OF THE PLAN WAS COMPLETED IN ROUGH FORM IN MID-1975 (FOR THE PERIOD 1975-79). A PRELIMINARY

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EFFORT WAS MADE AT THAT TIME TO CONSULT WITH SOME SECTORS

OF THE VENEZUELAN ECONOMY AND, SOMEWHAT LATER, SEGMENTS OF THE PLAN WERE SENT BY CORDIPLAN TO VARIOUS MINISTRIES AND AGENCIES OF THE GOVERNMENT FOR REVIEW AND COMMENT. APPARENTLY, IT WAS NOT POSSIBLE FOR THE GOVERNMENT TO ISSUE A COHERENT VERSION OF THE PLAN DURING 1975. AFTER HIS APPOINTMENT IN NOVEMBER 1975, MINISTER OF STATE CARMELO LAURIA TOOK A HAND IN REDUCING THE DRAFT PLAN TO REASONABLE PROPORTIONS AND IN SEEING THAT DRAFT COPIES WERE DISTRIBUTED IN LATE JANUARY TO PRINCIPAL SECTORS OF THE ECONOMY FOR REVIEW. FEDECAMARAS, THE CENTRAL BANK, AND OTHER INSTITUTIONS ARE EXPECTED TO PRESENT THEIR VIEWS IN THE NEAR FUTURE.

4. IN HIS JANUARY 1 SPEECH, PRESIDENT PEREZ ANNOUNCED SOME OF THE MAJOR FEATURES OF PLAN V, INCLUDING THE NEED FOR SOME 60 BILLION BOLIVARS IN INTERNAL AND EXTERNAL CREDIT TO FINANCE THE PLAN. THIS RESULTED IN A WIDESPREAD ADVERSE REACTION FROM OPPOSITION PARTIES AND THE PUBLIC IN GENERAL. IT WAS NOT UNDERSTOOD WHY A NATION WHICH HAD SO RECENTLY RECEIVED AN EXTRAORDINARY BONANZA IN INCOME FROM PETROLEUM SHOULD FIND IT NECESSARY TO RESORT SO HEAVILY TO BORROWING. GOVERNMENT CRITICS GLEEFULLY EXPLOITED THE OPPORTUNITY TO EXCORIATE THE ALLEGED WASTEFUL HABITS OF THE PEREZ ADMINISTRATION. ELDER STATESMAN JUAN PABLO PEREZ ALFONZO, TRUE TO HIS ACERBIC STYLE, PROMPTLY LABELED THE PLAN THE "FIFTH PLAN FOR NATIONAL DESTRUCTION".

5. THE MOST SURPRISING REACTION TO THE PLAN CAME, NOT FROM THE OPPOSITION, BUT FROM ACCION DEMOCRATICA - THE PRESIDENT'S OWN POLITICAL PARTY. ALTHOUGH DENIED IN PUBLIC, THERE WERE RELIABLE REPORTS THAT THE NATIONAL EXECUTIVE COMMITTEE OF AD REVIEWED THE DRAFT PLAN AND FOUND IT INCONSISTENT WITH AD'S OWN GOVERNMENT ACTION PROGRAM. THE AD ALSO APPEARED TO BE GREATLY CONCERNED THAT THE PLAN'S CREDIT PROVISIONS WOULD BE A SERIOUS POLITICAL LIABILITY.

6. THERE IS STILL CONSIDERABLE CONFUSION CONCERNING THE CONTENTS OF PLAN V, SINCE NO DOCUMENTS HAVE BEEN REVEALED TO THE PUBLIC. IT IS REASONABLY CERTAIN HOWEVER THAT THE DRAFT DISTRIBUTED ON A LIMITED BASIS IN JANUARY CONTEMPLATED A TOTAL INVESTMENT OF LIMITED OFFICIAL USE

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SOME 175 BILLION BOLIVARS OVER A FIVE-YEAR PERIOD, INCLUDING ABOUT 114 BILLION BOLIVARS IN THE PUBLIC SECTOR AND SOME 61 BILLION BOLIVARS IN THE PRIVATE SECTOR. ABOUT 35 PERCENT OF THIS AMOUNT (61 BILLION BOLIVARS) WOULD BE FINANCED THROUGH BORROWING INTERNALLY AND EXTERNALLY. THE PLAN (USING 1975 PRICES) ASSUMES EXPORT INCOME OF ABOUT \$46 BILLION, \$41 BILLION OF WHICH WOULD BE DERIVED FROM PETROLEUM PRODUCTION AT A RATE OF ABOUT 2.2 MILLION B/D.

7. THE PLAN WOULD EMPHASIZE INDUSTRIAL AND AGRICULTURAL DEVELOPMENT VERY HEAVILY, MAINLY THROUGH THE PUBLIC SECTOR. ABOUT 41 BILLION BOLIVARS WOULD BE INVESTED IN INDUSTRY AND 19 BILLION BOLIVARS IN AGRICULTURE. THESE INVESTMENTS WOULD STIMULATE A 23 PERCENT ANNUAL GROWTH RATE IN INDUSTRIAL PRODUCTION AND A 12 PERCENT INCREASE IN AGRICULTURAL PRODUCTION. ABOUT 18 BILLION BOLIVARS WOULD BE INVESTED IN FURTHER DEVELOPMENT OF THE PETROLEUM AND MINING INDUSTRIES.

8. THE FIFTH PLAN IS TO BE DISCUSSED AT THE CABINET LEVEL OF THE GOV ON FEBRUARY 13. GOV SPOKESMEN HAVE SAID THAT IT WILL BE PRESENTED TO CONGRESS NEXT MONTH.

9. COMMENT - THE PUBLIC CONTROVERSY SURROUNDING PLAN V IS BASED ON BOTH ECONOMIC AND POLITICAL CONSIDERATIONS. THE DRAFT PLAN IS ALMOST CERTAINLY OVERLY AMBITIOUS AND UNREALISTIC, NOT ONLY IN TERMS OF THE FINANCIAL RESOURCES REQUIRED BUT MOST PRO VENEZUELA'S LIMITED HUMAN RESOURCES AND THE CAPACITY OF VENEZUELA'S WEAK PUBLIC ADMINISTRATION TO EXECUTE THE PLAN. THE SHARP ADVERSE REACTION TO THE PLAN FROM AD IS OBVIOUSLY DIRECTED AT PLANNING MINISTER AND CORDIPLAN DIRECTOR, GUMERSINDO RODRIGUEZ, WHO IS WIDELY MISTRUSTED. THE ADVERSE REACTION OF THE PRIVATE SECTOR TO THE PLAN STEMS FROM THE PLAN'S HEAVY AND OBVIOUS EMPHASIS ON PUBLIC VERSUS PRIVATE DEVELOPMENT AND ITS IMPLIED THREAT OF INCREASED TAXATION.

10. ESTIMATES OF PUBLIC CREDIT NEEDED TO FINANCE PLAN V WILL ALMOST CERTAINLY BE SUBSTANTIALLY REDUCED IN CURRENT EFFORTS TO REVISE THE DRAFT DOCUMENT. A MORE MODEST PROJECTION WILL MAKE THE PLAN MORE CREDIBLE AS WELL AS MORE ACCEPTABLE POLITICALLY. IT IS IRONIC THAT THE ORIGINAL VERSION OF THE PLAN APPARENTLY LIMITED OFFICIAL USE

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CONTEMPLATED NO SIGNIFICANT INCREASE IN BORROWING. IN FACT, THE PROPOSED STRATEGY WAS TO REDUCE EXTERNAL DEBT (ALREADY QUITE LIMITED) THROUGH AMORTIZATION AND/OR CONVERSION TO INTERNAL DEBT.

11. THE CONTROVERSY OVER PLAN V IS PROBABLY EXAGGERATED IN VIEW OF VENEZUELA'S PAST EXPERIENCE WITH NATIONAL PLANNING. PAST PLANS HAVE NEVER SERVED AS RIGID GOVERNMENT POLICY GUIDES. PRESIDENT PEREZ'S PERSONAL STYLE MAKES IT EVEN LESS LIKELY THAT THE PLAN WILL CARRY MUCH WEIGHT IN GOVERNMENT DECISIONS. THE MOST LIKELY RESULT WILL BE FURTHER EROSION OF GUMERSINDO RODRIVIEZ'S INSECURE POSITION IN THE GOV HIERARCHY. IF ALL GOES WELL, CARMELO LAURIA IS LIKELY TO RECEIVE CREDIT FOR RESCUING PLAN V FROM THE BUREAUCRATIC MORASS IN WHICH IT HAS SUNK. LAURIA IS RUMORED TO HAVE STRONG PRESIDENTIAL AMBITIONS WHICH MAY BE FURTHER FUELED IF HIS STAR CONTINUES TO RISE.

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